

iBoxx USD Asia ex-Japan Monthly Commentary

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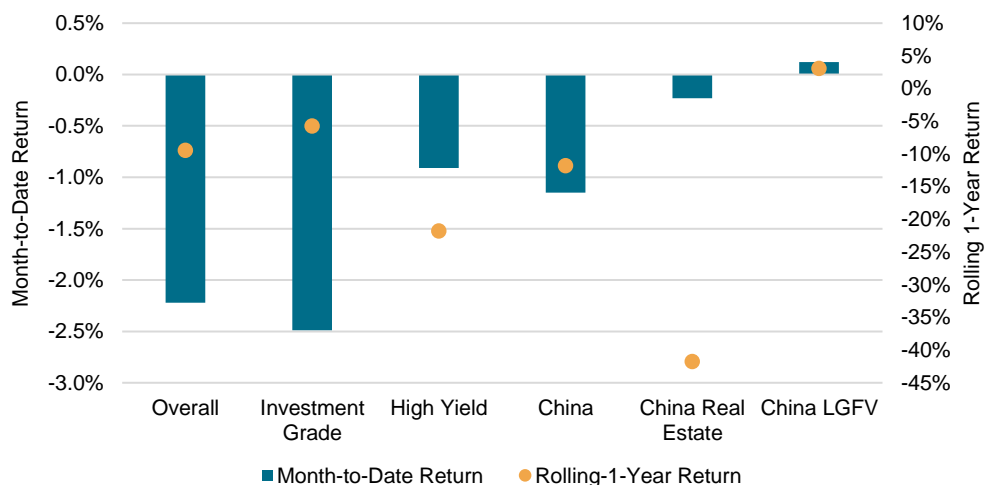
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April 2022 Commentary

Headline inflation remained hot in April. The ongoing conflict in Ukraine maintained upward pressure on energy and commodity prices around the world. The pandemic lockdown in China exacerbated the supply chain bottlenecks, further boosting inflation in many economies. In the U.S., domestic consumption accelerated at an annualized rate of 2.7% in Q1 2022. In response, major central banks shifted to a more hawkish stance in their monetary policies to combat inflation.

Rising U.S. rates were a primary driver for Asian USD bond weakness this year. The iBoxx USD Asia ex-Japan Index retreated 2.2% in April, marking its fourth consecutive monthly decline in 2022.

Exhibit 1: Recent and Long-Term Index Performance



Source: IHS Markit, part of S&P Global. Data as of April 30, 2022. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Asian credit spreads contracted this month, but the rise in interest rates offset gains from the spread tightening. The USD Asia IG index sank 2.49% with large losses seen in long maturity buckets, while its average credit spread narrowed by 9 bps. The USD Asia HY index fell 0.91% as its spread shrank by 80 bps. The CCC-rated segment plunged 7.56%, dragged down by defaults of Sri Lanka government bonds and Chinese real estate issuance.

Exhibit 2: Rating and Maturity Month-to-Date Index Performance

	Overall (%)	0-1 Year (%)	1-3 Years (%)	3-5 Years (%)	5-7 Years (%)	7-10 Years (%)	10+ Years (%)
Investment Grade	-2.49	0.15	-0.34	-1.45	-2.75	-4.51	-8.58
AAA	-5.06	-0.29	-0.62	-2.15	-2.41	-4.50	-9.67
AA	-2.30	0.02	-0.60	-1.57	-2.48	-4.55	-7.79
A	-2.13	0.11	-0.37	-1.30	-2.27	-4.25	-7.50
BBB	-2.73	0.20	-0.28	-1.53	-3.18	-4.70	-9.22
High Yield	-0.91	1.36	-0.90	-1.50	-4.72	-4.04	-0.72
BB	-0.76	0.52	-0.41	-1.32	-3.80	-4.33	-5.40
B	0.66	6.65	0.52	-0.66	-3.42	-1.07	3.83
CCC	-7.56	-4.66	-6.98	-6.66	-12.86	-12.58	0.00

Source: IHS Markit, part of S&P Global. Data as of April 30, 2022. Index performance based on total return in USD. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

China USD bonds outperformed the broader index this month by about 1%. Bond defaults in the China Real Estate sector (-0.23%) continued to occur. However, correction in the sector had taken a pause after Chinese top policy makers provided reassurance to address the health of the sector and to stabilize the financial market in China.

The USD China LGFV index (up 0.12%) outperformed other subindices in the USD China index series. It currently offers a duration of 1.68 years and a yield of 4.55%.

Exhibit 3: Performance of Mainland China and its Subindices

	April 2022	Δ MTD (%)	Δ YTD (%)	Δ 3 Year (%)	MV (USD Billions)	Yield (%)	Spread (bps)	Duration	Number of Bonds
Mainland China	217	-1.15	-7.54	-2.90	580	6.01	315	3.31	1129
Sovereigns	151	-2.13	-7.17	6.53	20	3.22	32	5.02	17
Non-Sovereigns	218	-1.12	-7.55	-3.09	560	6.16	330	3.25	1112
Sub-Sovereigns	193	-1.63	-5.15	6.37	20	3.68	80	3.63	34
Corporates	221	-1.10	-7.64	-3.45	540	6.27	340	3.23	1078
Financials	259	-0.54	-8.06	-7.74	314	8.31	552	2.38	710
Real Estate	210	-0.23	-19.63	-33.73	79	19.30	1650	2.33	258
Non-Financials	209	-1.86	-7.01	3.30	227	4.72	181	4.41	368
Investment Grade	208	-1.47	-6.00	5.07	480	4.64	175	3.64	854
High Yield	229	0.37	-13.24	-24.40	100	19.32	1662	1.73	275
Mainland China LGFV	126	0.12	-0.58	12.06	51	4.55	189	1.68	149
Investment Grade	122	-0.05	-1.49	9.03	42	4.32	163	1.87	117
High Yield	135	0.75	2.53	21.96	9	6.81	454	0.84	32

Source: IHS Markit, part of S&P Global. Data as of April 30, 2022. Index performance based on total return in USD. MV refers to market value in USD billions. Yield refers to semiannual yield in percent. Spread refers to semiannual spread to benchmark curve in basis points. Duration refers to semiannual modified duration. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

May 2022 Rebalance

This rebalance, the iBoxx USD Asia ex-Japan Index added 29 eligible bonds, bringing in close to USD 17.7 billion of new notional.

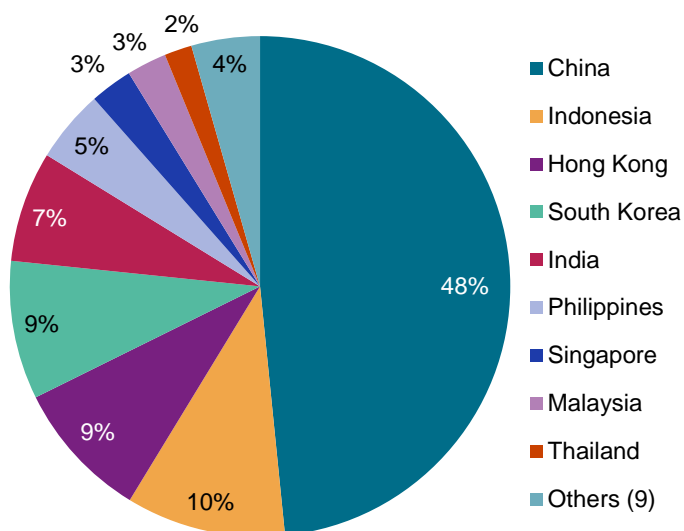
The investment grade (IG) subindex saw about USD 14.5 billion of notional raised from 23 new issues, while the high yield (HY) subindex saw a little over USD 3.2 billion worth of notional from 6 issues.

Of the 57 bonds removed from the index this month:

- 21 were traded flat of accrued interest, including 11 bonds belonging to the government of Sri Lanka and the rest from issuers in the China real estate sector; and
- 6 were either called, partially redeemed or repurchased and became ineligible for the index.

One fallen angel and one rising star (based on iBoxx implied credit rating methodology) were captured this month. Both USD bonds were issued by local government financial vehicles (LGFV) in China.

Please refer to the Appendix for a breakdown of this month's insertions and deletions, and a list of fallen angels and rising stars recognized in 2022.

Exhibit 4: Market Breakdown and Duration Changes of Overall Index Post Rebalance

Duration Changes	April 30, 2022	May 2, 2022
Overall	4.27	4.29
Cambodia	1.87	1.87
Mainland China	3.31	3.30
Hong Kong	4.37	4.34
India	3.95	3.93
Indonesia	7.40	7.37
Macao	4.09	4.08
Malaysia	7.61	7.40
Mongolia	2.78	2.79
Pakistan	4.01	4.01
Papua New Guinea	4.68	4.67
Philippines	6.24	6.22
Singapore	5.52	5.38
South Korea	3.39	3.40
Taiwan	6.44	6.99
Thailand	6.14	6.10
Vietnam	2.50	2.50

Source: IHS Markit, part of S&P Global. Data as of April 30, 2022. Index performance based on total return in USD. Duration refers to semiannual modified duration. Past performance is no guarantee of future results. Chart and table are provided for illustrative purposes.

Post-rebalance, the overall index duration was up slightly to 4.29 years. Markets with the most noticeable change in duration were Malaysia (-0.21 years), Singapore (-0.14 years) and Taiwan (up 0.55 years).

There is currently no sovereign bond by Sri Lanka in the index, as the country announced a default on all of its foreign debt in April.

Appendix

Exhibit 5: iBoxx USD Asia ex-Japan Overall – Insertions

Issue	Market	Rating	Notional (MM)
BCHINA 3.25% 2025-04-28	CHN	A	500
CHGRID 3.25% 2027-04-07	CHN	A	350
CHGRID 3.13% 2025-04-07	CHN	A	650
CHPWCN 4.25% Perp	CHN	BBB	500
CINDBK 4.8% Perp	CHN	BB	600
CSILTD 3.38% 2025-04-21	CHN	BBB	300
GANZHO 4.5% 2025-04-14	CHN	BBB	300
GRWALL 4.25% 2025-04-28	CHN	A	500
GWTH 10% 2025-04-11	CHN	BB*	495
KCGZIG 3.5% 2025-04-06	CHN	BBB	450
SLSCCI 4.5% 2025-04-28	CHN	BB	500
YANGZH 4% 2025-04-14	CHN	BB	300
BNKEA 4.88% 2032-04-22	HKG	BBB	500
NANYAN 6.5% Perp	HKG	BB	650
GRNKEN 5.5% 2025-04-06	IND	BB	750
FRIDPT 4.76% 2027-04-14	IDN	BBB	750
FRIDPT 5.32% 2032-04-14	IDN	BBB	1,500
FRIDPT 6.2% 2052-04-14	IDN	BBB	750
MISCMK 3.63% 2025-04-06	MYS	BBB	400
MISCMK 3.75% 2027-04-06	MYS	BBB	600
UOBSP 3.06% 2025-04-07	SGP	AA	750
UOBSP 3.86% 2032-10-07	SGP	A	1,000
KOMIPW 3.63% 2027-04-21	KOR	AA	300
KORWAT 3.5% 2025-04-27	KOR	AA	350
SHNHAN 4.38% 2032-04-13	KOR	BBB	500
TAISEM 3.88% 2027-04-22	TWN	AA	1,000
TAISEM 4.13% 2029-04-22	TWN	AA	500
TAISEM 4.25% 2032-04-22	TWN	AA	1,000
TAISEM 4.5% 2052-04-22	TWN	AA	1,000

Source: IHS Markit, part of S&P Global. Data as of April 30, 2022. Index performance based on total return in USD. Unrated bonds with ratings based on iBoxx implied credit rating methodology are denoted with (*) in the Rating column. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 6: iBoxx USD Asia ex-Japan Overall – Deletions

Issue	Market	Rating	Notional (MM)
BCHINA 2.88% 2022-04-20	CHN	A	750
BEIENT 4.5% 2022-04-25	CHN	BBB	800
BOCAVI 3% 2022-05-23 [^]	CHN	A	500
CHALUM 4.25% 2022-04-21	CHN	BBB	500
CHIGRA 8.63% 2022-04-08	CHN	B	253
CHIOIL 5.5% 2023-01-25 [^]	CHN	BB	350
CHIRES 4.5% 2022-04-05	CHN	A	716
CITICS 3.25% 2022-04-20	CHN	BBB	500
CNPCCH 3.95% 2022-04-19	CHN	A	500
EHOUSE 7.63% 2022-04-18	CHN	CCC*	300
EHOUSE 7.6% 2023-06-10 [†]	CHN	CCC*	300
HACWAM 6.2% 2022-04-24	CHN	BB*	300
HRINT 7.95% 2022-04-29	CHN	B*	490
HRINTH 3.75% 2022-04-27	CHN	BBB	570
ICBCIL 3.38% 2022-04-05	CHN	A	850
JFTLIN 9.5% 2023-07-17 [^]	CHN	BB*	300
JQIRON 7% 2022-04-10	CHN	BB*	300
PANLIZ 4.5% 2022-04-21	CHN	BBB	500
PXCONS 4.95% 2022-04-29	CHN	BB*	300
REDPRO 11% 2022-08-06 [^]	CHN	C	305
REDSUN 9.95% 2022-04-11	CHN	B	402
RONXIN 8.75% 2022-10-25 [†]	CHN	CCC	688
SINOCE 5.25% 2022-04-30	CHN	BBB	500
SINOPE 3% 2022-04-12	CHN	A	1,100
SUNAC 7.95% 2023-10-11 [†]	CHN	CCC	750
SUNAC 5.95% 2024-04-26 [†]	CHN	CCC	942
WANTSP 2.88% 2022-04-27	CHN	A	500
WUXIMU 4.5% 2022-04-17	CHN	BBB	300
YUNMET 5.5% 2022-04-08	CHN	CCC*	800
ZHPRHK 9.15% 2023-05-06 [†]	CHN	CC	300
ZHPRHK 7.88% 2024-04-14 [†]	CHN	CC	290

Source: IHS Markit, part of S&P Global. Data as of April 30, 2022. Index performance based on total return in USD. Unrated bonds with ratings that are based on iBoxx implied credit rating methodology are denoted with (*) in the Rating column. Bonds that were either called, exchanged, redeemed or repurchased (either partially or as a whole) are denoted with (^) in the Issue column. Bonds that were traded flat of accrued interest are denoted with (†) in the Issue column. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 6: iBoxx USD Asia ex-Japan Overall – Deletions (cont.)

Issue	Market	Rating	Notional (MM)
ZHPRHK 7.35% 2025-02-05 [†]	CHN	CC	349
ZHPRHK 6.63% 2026-01-07 [†]	CHN	CC	393
ZHPRHK 6.7% 2026-08-04 [†]	CHN	CC	291
ZHPRHK 7.1% 2024-09-10 [†]	CHN	CC	340
CKHH 2.88% 2022-04-05	HKG	A	1,000
PCCW 5.75% 2022-04-17	HKG	A*	300
BOBIN 3.5% 2022-04-04	IND	BB	500
IIBIN 3.88% 2022-04-15	IND	BB	400
JSTLIN 5.25% 2022-04-13	IND	BB	500
INDON 3.75% 2022-04-25	IDN	BBB	1,485
DBSSP 2.85% 2022-04-16	SGP	AA	750
EIBKOR 5% 2022-04-11	KOR	AA	1,000
HYNMTR 3.1% 2022-04-05	KOR	BBB	500
KOMRMR 3% 2022-04-24	KOR	A	425
SRILAN 5.88% 2022-07-25 [†]	LKA	CCC	1,000
SRILAN 6.13% 2025-06-03 [†]	LKA	CCC	650
SRILAN 6.85% 2025-11-03 [†]	LKA	CCC	1,500
SRILAN 6.83% 2026-07-18 [†]	LKA	CCC	1,000
SRILAN 6.2% 2027-05-11 [†]	LKA	CCC	1,500
SRILAN 5.75% 2023-04-18 [†]	LKA	CCC	1,250
SRILAN 6.75% 2028-04-18 [†]	LKA	CCC	1,250
SRILAN 6.85% 2024-03-14 [†]	LKA	CCC	1,000
SRILAN 7.85% 2029-03-14 [†]	LKA	CCC	1,400
SRILAN 6.35% 2024-06-28 [†]	LKA	CCC	500
SRILAN 7.55% 2030-03-28 [†]	LKA	CCC	1,500
KBANK 2.38% 2022-04-06	THA	BBB	400

Source: IHS Markit, part of S&P Global. Data as of April 30, 2022. Index performance based on total return in USD. Unrated bonds with ratings that are based on iBoxx implied credit rating methodology are denoted with (*) in the Rating column. Bonds that were either called, exchanged, redeemed or repurchased (either partially or as a whole) are denoted with (^) in the Issue column. Bonds that were traded flat of accrued interest are denoted with (†) in the Issue column. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 7: iBoxx USD Asia ex-Japan Overall

iBoxx USD Asia ex-Japan Overall – Fallen Angels in 2022				
Rebalance	Issue	Market	Past Rating	Current Rating
March 31, 2022	FWDGRP 5.75% 2024-07-09	HKG	BB*	BBB*
March 31, 2022	SHDOIS 6.85% 2022-09-25	CHN	BB*	BBB*
March 31, 2022	SHDOIS 6.5% 2023-11-05	CHN	BB*	BBB*
March 31, 2022	SHDOIS 4.8% 2024-07-28	CHN	BB*	BBB*
April 30, 2022	TLINVT 4.45% 2023-06-10	CHN	BBB	BB
iBoxx USD Asia ex-Japan Overall – Rising Stars in 2022				
Rebalance	Issue	Market	Past Rating	Current Rating
Feb. 28, 2022	HRINTH 4%	CHIN	BB	BBB
Feb. 28, 2022	HZLJDV 5.3% 2022-12-04	CHIN	BB*	BBB*
April 30, 2022	ZJXCID 3.9% 2024-02-04	CHN	BB*	BBB*
iBoxx USD Asia ex-Japan (Restricted) – Bonds Excluded from Index Due to U.S. Executive Order 13959				
Rebalance	Issuer	Market	ISIN	Notional (MM)
Jan. 31, 2021	Semiconductor Manufacturing International Corp	CHIN	XS2101828452	600
July 31, 2021	Proven Glory Capital Ltd	CHIN	XS1567423766	500
July 31, 2021	Proven Honour Capital Limited	CHIN	XS1233275194	1000
July 31, 2021	Proven Honour Capital Limited	CHIN	XS1401816761	2000

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